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**Gregoire Sues Internet Tobacco Seller Over Tax Reports**

**OLYMPIA** -- A Missouri company that sells cigarettes over the Internet should be required to disclose its customers so the state can collect unpaid taxes, according to a lawsuit filed against the company by Attorney General Christine Gregoire.

Gregoire alleges the company, D.C. Inc., which does business as DirtCheapcig.com, is violating state and federal law by refusing to disclose its customers as required under the federal Jenkins Act.

In the complaint filed Thursday in Thurston County Superior Court on behalf of the state Department of Revenue, attorneys allege that DirtCheap has refused to provide monthly reports that allow the state to bill customers for unpaid cigarette and sales taxes.

“Someone who buys cigarettes over the Internet should have to pay the same taxes as someone who buys them at a local convenience store,” said Gregoire. “Dirtcheap’s refusal to disclose its customers puts brick-and-mortar retailers at a disadvantage, and prevents the state from collecting badly needed tax revenue.”

Acting Revenue Director Will Rice said DirtCheap is one of many online cigarette retailers that have refused to provide customer lists.

“These online retailers shouldn’t be allowed to mislead their customers into thinking that it is legal to buy cigarettes without paying Washington taxes,” Rice said.

Under state law, consumers found in possession of cigarettes that don’t have the Washington State tax stamp could be fined up to \$10 a pack or \$250, whichever is greater. If a Washington resident buys cigarettes through the mail or Internet, the buyer is responsible for paying state cigarette and use taxes.

Congress passed the Jenkins Act in 1955 to reduce the loss of revenue to states caused by failure to pay sales and use taxes on cigarettes shipped across state lines directly to customers.

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Congress determined that this tax evasion discriminated against cigarette retailers in states with higher taxes than the state from which the cigarettes were shipped.

In the lawsuit, the state seeks a court order requiring DirtCheap to file monthly Jenkins Act reports dating back to 1998 and into the future.

State revenue officials estimate that in 2001, the state lost approximately \$6 million in retail sales/use and cigarette taxes owed but not paid by Washington consumers who buy cigarettes by mail order and over the Internet.

If the state is successful in winning an injunction against DirtCheap, it may pursue other Internet sellers who also refuse to provide lists.

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